

# PERAC AUDIT REPORT



## North Adams Contributory Retirement System

JAN. 1, 2002 - DEC. 31, 2004 / PERAC 04: 12-069-31



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# PERAC

COMMONWEALTH OF MASSACHUSETTS | PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION

DOMENIC J. F. RUSSO, *Chairman* | A. JOSEPH DeNUCCI, *Vice Chairman*

JOSEPH E. CONNARTON, *Executive Director*

HENRY G. BRAUER | KENNETH J. DONNELLY | JAMES M. MACHADO | DONALD R. MARQUIS | THOMAS TRIMARCO

March 21, 2006

The Public Employee Retirement Administration Commission has completed an examination of the **North Adams** Retirement System pursuant to G.L. c. 32, s. 21. The examination covered the period from January 1, **2002** to December 31, **2004**. This audit was conducted in accordance with the accounting and management standards established by the Public Employee Retirement Administration Commission in regulation 840 CMR 25.00. Additionally, all supplementary regulations approved by PERAC and on file at PERAC are listed in this report.

In our opinion, the financial records are being maintained and the management functions are being performed in conformity with the standards established by the Public Employee Retirement Administration Commission with the exception of those noted in the findings presented in this report.

In closing, I acknowledge the work of examiners Robert Madison and Harry Chadwick who conducted this examination and express appreciation to the Board of Retirement and staff for their courtesy and cooperation.

Sincerely,



Joseph E. Connarton  
Executive Director



## **North Adams Retirement System**

### **EXPLANATION OF FINDINGS AND RECOMMENDATIONS**

#### **FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2004**

1. **Short-term Investments**

Short-term investments of \$396,615.23, as reported by Bank of America, do not appear as a short-term investments line item in the Annual Statement or in the Trial Balance.

**Recommendation**

The Annual Statement and supporting schedules must reflect the custodial bank's definitions of cash including short-term investments.

**Board Response**

Short-term investments have been identified on the Trial Balance and Annual Statement will reflect custodial bank's definition of short-term investments.

2. **Contribution Rates**

- A. Based on inspection and inquiry, it was determined that the North Adams City School Department's payroll staff person has been incorrectly calculating the employee's contributions. A sample of contribution rates and 2% over \$30,000 calculations revealed errors that need correction. In addition, after reviewing the report of actuarial data for active and retiree/survivor generated by PERAC, other membership issues exist within membership contribution rates.
- B. Based on a review of the North Adams school employee's contributions, overtime has been included as regular compensation.

**Recommendations:**

- A. A thorough review of the payroll contributions and rates should be done and payments of any amounts due the retirement system must be paid back. Membership records should be reviewed by the Executive Director to determine the accuracy of the PERAC report of actuarial data for active and retiree/survivor contribution rates. This review should also include the 2% over \$30,000 contributions.
- B. A thorough review of the North Adams School Department's payroll should be conducted to make sure overtime compensation is not included in employee contributions.

**Board Response**

The City Treasurer has conducted a review of the North Adams School Department and City Departments to make sure they have been correctly calculated and that the members' contributions do not include overtime as part of their regular compensation and anyone that was incorrectly calculated will be issued a refund. Pension Administrator is reviewing and correcting the actuarial data for active and retiree/survivor members.

## **North Adams Retirement System**

### **EXPLANATION OF FINDINGS AND RECOMMENDATIONS**

#### **FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2004**

3. **Employer's Contributions**

While reviewing the member's contribution rates of the North Adams Housing Authority, it was determined that the Authority has been paying 3% of the employee's contribution. The legal staff at PERAC is reviewing this issue.

**Recommendation:**

PERAC is reviewing this issue and a recommendation will be forthcoming after this review.

**Board Response**

Wait for PERAC'S recommendation.

4. **Board Minutes**

Monthly Board meeting minute page numbers were altered from December 27, 2000 to May 3, 2005 (pages 405 to 469).

**Recommendations:**

Page numbers in monthly Board meeting minutes must not be altered.

**Board Response**

The pages have been prenumbered to avoid the pages from being altered in the future.

5. **Board Member Appointments**

The Mayor of North Adams has not formally reappointed Board Members Kathleen Wall and Alan Marden. Special legislation gave the Mayor the right to appoint two Board Members. Kathleen Wall's appointment ended on 12/17/02 and Alan Marden's appointment ended on 11/19/02.

**Recommendations:**

Pursuant to G.L.c.32 § 20 (4) (b), the Mayor must reappoint Board Members when their term expires. The Board must act to ensure these appointments are made in a timely manner.

**Board Response**

The Retirement Board has sent the Mayor a letter requesting these reappointments.

6. **Contracts**

A review of the North Adams Retirement System contracts was made to ensure that there are executed contracts on file. The original investment manager contract of the DeBurlo Group was signed and dated August 19, 1993, with an amended contract on March 28, 1996.

## **North Adams Retirement System**

### **EXPLANATION OF FINDINGS AND RECOMMENDATIONS (CONT'D)**

#### **FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2004**

In addition, the original custodial contract with Fleet Bank was entered into on July 29, 1994. Fleet Bank has now become Bank of America.

##### **Recommendation:**

The Board should request a new or updated version of the contracts of their investment manager, the DeBurlo Group and their custodian, Bank of America. The latter contract with the custodian would ensure and reflect the relationship with the new entity, Bank of America, since Fleet Bank no longer exists.

##### **Board Response**

The North Adams Retirement System has requested and received a new contract from the DeBurlo Group.

#### **7. Investments**

In contacting PERAC's Investment Unit to determine that the system's accounting submissions were up to date and that there were no problems with the investments, it was found that the investment manager, the DeBurlo Group, has not been submitting their monthly, quarterly, or annual investment manager reports to PERAC.

##### **Recommendation:**

The investment manager, the DeBurlo Group, should be submitting their respective investment manager reports to PERAC as cited above.

##### **Board Response**

Chairman Brown has contacted The DeBurlo Group and they have sent a 2004 annual investment manager report to PERAC.

#### **Ongoing Issues:**

An ongoing issue exists in North Adams as to whether or not a member is subject to pension forfeiture because he was convicted of disposing waste in a DPW yard. The North Adams Retirement Board has conducted hearings and will render a decision after a court decision on a similar case is issued.

##### **Final determination**

***PERAC audit staff will follow-up in six (6) months to ensure appropriate actions have been taken regarding all audit findings.***

# North Adams Retirement System

## STATEMENT OF LEDGER ASSETS AND LIABILITIES

**FOR THE THREE YEAR PERIOD BEGINNING JANUARY 1, 2002  
AND ENDING DECEMBER 31, 2004**

<b>FOR THE PERIOD ENDING DECEMBER 31,</b>			
<b>ASSETS</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>
Cash	\$504,716	\$816,084	\$919,493
Short Term Investments	0	0	0
Fixed Income Securities (at book value)	9,012,360	8,510,500	13,144,975
Equities	22,126,764	21,461,147	13,005,388
Interest Due and Accrued	97,150	97,976	175,073
Accounts Receivable	0	0	0
Accounts Payable	0	0	0
<b>TOTAL</b>	<b><u>\$31,740,990</u></b>	<b><u>\$30,885,706</u></b>	<b><u>\$27,244,928</u></b>
<b>FUND BALANCES</b>			
Annuity Savings Fund	\$6,268,171	\$5,823,560	\$5,971,068
Annuity Reserve Fund	3,463,440	3,510,502	2,950,236
Pension Fund	0	969,737	1,740,949
Military Service Fund	883	878	1,014
Expense Fund	0	0	0
Pension Reserve Fund	22,008,496	20,581,030	16,581,662
<b>TOTAL</b>	<b><u>\$31,740,990</u></b>	<b><u>\$30,885,706</u></b>	<b><u>\$27,244,928</u></b>

# North Adams Retirement System

## STATEMENT OF CHANGES IN FUND BALANCES

**FOR THE THREE YEAR PERIOD BEGINNING JANUARY 1, 2002  
AND ENDING DECEMBER 31, 2004**

	<b>Annuity Savings Fund</b>	<b>Annuity Reserve Fund</b>	<b>Pension Fund</b>	<b>Military Service Fund</b>	<b>Expense Fund</b>	<b>Pension Reserve Fund</b>	<b>Total All Funds</b>
<b>Beginning Balance (2001)</b>	\$6,093,894	\$2,550,725	\$2,395,001	\$143	\$0	\$18,372,238	<b>\$29,412,001</b>
Receipts	638,923	80,117	1,792,442	871	222,525	(1,790,714)	<b>944,164</b>
Interfund Transfers	(708,182)	708,488	(444)			138	<b>0</b>
Disbursements	(53,568)	(389,094)	(2,446,049)	<u>0</u>	(222,525)	<u>0</u>	<b>(3,111,237)</b>
<b>Ending Balance (2002)</b>	<b>5,971,068</b>	<b>2,950,236</b>	<b>1,740,949</b>	<b>1,014</b>	<b>0</b>	<b>16,581,662</b>	<b>27,244,928</b>
Receipts	749,220	85,208	1,770,118	10	216,839	3,999,368	<b>6,820,763</b>
Interfund Transfers	(811,206)	811,352		(146)			<b>0</b>
Disbursements	(85,522)	(336,294)	(2,541,330)	<u>0</u>	(216,839)	<u>0</u>	<b>(3,179,985)</b>
<b>Ending Balance (2003)</b>	<b>5,823,560</b>	<b>3,510,502</b>	<b>969,737</b>	<b>878</b>	<b>0</b>	<b>20,581,030</b>	<b>30,885,706</b>
Receipts	699,500	103,703	1,727,572	5	229,508	1,715,465	<b>4,475,753</b>
Interfund Transfers	(224,843)	224,861	287,981			(287,999)	<b>0</b>
Disbursements	(30,046)	(375,625)	(2,985,290)	<u>0</u>	(229,508)	<u>0</u>	<b>(3,620,469)</b>
<b>Ending Balance (2004)</b>	<b><u>\$6,268,171</u></b>	<b><u>\$3,463,440</u></b>	<b><u>\$0</u></b>	<b><u>\$883</u></b>	<b><u>\$0</u></b>	<b><u>\$22,008,496</u></b>	<b><u>\$31,740,990</u></b>



# North Adams Retirement System

## STATEMENT OF INCOME

**FOR THE THREE YEAR PERIOD BEGINNING JANUARY 1, 2002  
AND ENDING DECEMBER 31, 2004**

	<b>FOR THE PERIOD ENDING DECEMBER 31,</b>		
	<b>2004</b>	<b>2003</b>	<b>2002</b>
<b>Annuity Savings Fund:</b>			
Members Deductions	\$646,941	\$612,085	\$556,754
Transfers from other Systems	14,954	21,283	1,144
Member Make Up Payments and Redeposits	3,956	57,329	996
Investment Income Credited to Member Accounts	<u>33,650</u>	<u>58,523</u>	<u>80,030</u>
<b>Sub Total</b>	<b><u>699,500</u></b>	<b><u>749,220</u></b>	<b><u>638,923</u></b>
<b>Annuity Reserve Fund:</b>			
Investment Income Credited Annuity Reserve Fund	<u>103,703</u>	<u>85,208</u>	<u>80,117</u>
<b>Pension Fund:</b>			
3 (8) (c) Reimbursements from Other Systems	6,681	3,528	1,952
Received from Commonwealth for COLA and Survivor Benefits	76,354	176,167	261,573
Pension Fund Appropriation	<u>1,644,537</u>	<u>1,590,423</u>	<u>1,528,916</u>
<b>Sub Total</b>	<b><u>1,727,572</u></b>	<b><u>1,770,118</u></b>	<b><u>1,792,442</u></b>
<b>Military Service Fund:</b>			
Contribution Received from Municipality on Account of Military Service	0	0	869
Investment Income Credited Military Service Fund	<u>5</u>	<u>10</u>	<u>2</u>
<b>Sub Total</b>	<b><u>5</u></b>	<b><u>10</u></b>	<b><u>871</u></b>
<b>Expense Fund:</b>			
Expense Fund Appropriation	0	0	0
Investment Income Credited to Expense Fund	<u>229,508</u>	<u>216,839</u>	<u>222,525</u>
<b>Sub Total</b>	<b><u>229,508</u></b>	<b><u>216,839</u></b>	<b><u>222,525</u></b>
<b>Pension Reserve Fund:</b>			
Federal Grant Reimbursement	2,067	1,978	1,866
Pension Reserve Appropriation	0	0	0
Interest Not Refunded	18	412	1,745
Excess Investment Income	<u>1,713,381</u>	<u>3,996,978</u>	<u>(1,794,325)</u>
<b>Sub Total</b>	<b><u>1,715,465</u></b>	<b><u>3,999,368</u></b>	<b><u>(1,790,714)</u></b>
<b>TOTAL RECEIPTS</b>	<b><u>\$4,475,753</u></b>	<b><u>\$6,820,763</u></b>	<b><u>\$944,164</u></b>

# North Adams Retirement System

## STATEMENT OF DISBURSEMENTS

**FOR THE THREE YEAR PERIOD BEGINNING JANUARY 1, 2002  
AND ENDING DECEMBER 31, 2004**

<b>FOR THE PERIOD ENDING DECEMBER 31,</b>			
<b>Annuity Savings Fund:</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>
Refunds to Members	\$27,899	\$74,970	\$53,568
Transfers to other Systems	<u>2,146</u>	<u>10,552</u>	<u>0</u>
<b>Sub Total</b>	<b><u>30,046</u></b>	<b><u>85,522</u></b>	<b><u>53,568</u></b>
<b>Annuity Reserve Fund:</b>			
Annuities Paid	372,153	318,598	299,843
Option B Refunds	<u>3,472</u>	<u>17,696</u>	<u>89,251</u>
<b>Sub Total</b>	<b><u>375,625</u></b>	<b><u>336,294</u></b>	<b><u>389,094</u></b>
<b>Pension Fund:</b>			
Pensions Paid			
Regular Pension Payments	1,762,604	1,452,598	1,364,015
Survivorship Payments	111,566	231,134	104,201
Ordinary Disability Payments	55,086	53,440	61,940
Accidental Disability Payments	786,830	743,579	723,447
Accidental Death Payments	153,564	16,028	136,154
Section 101 Benefits	0	0	0
3 (8) (c) Reimbursements to Other Systems	115,641	44,551	56,292
State Reimbursable COLA's Paid	0	0	0
Chapter 389 Beneficiary Increase Paid	<u>0</u>	<u>0</u>	<u>0</u>
<b>Sub Total</b>	<b><u>2,985,290</u></b>	<b><u>2,541,330</u></b>	<b><u>2,446,049</u></b>
<b>Military Service Fund:</b>			
Return to Municipality for Members Who Withdrew Their Funds	<u>0</u>	<u>0</u>	<u>0</u>
<b>Expense Fund:</b>			
Board Member Stipend	0	0	0
Salaries	52,006	40,070	35,611
Travel Expenses	4,806	5,381	7,792
Administrative Expenses	7,400	9,896	7,957
Fiduciary Insurance	2,159	3,317	2,727
Service Contracts	10,334	7,964	7,814
Rent Expense	3,000	3,450	5,650
Furniture and Equipment	0	350	9,571
Management Fees	131,484	123,491	122,972
Custodial Fees	18,319	22,920	22,430
Consultant Fees			
<b>Sub Total</b>	<b><u>229,508</u></b>	<b><u>216,839</u></b>	<b><u>222,525</u></b>
<b>TOTAL DISBURSEMENTS</b>	<b><u>\$3,620,469</u></b>	<b><u>\$3,179,985</u></b>	<b><u>\$3,111,237</u></b>

# North Adams Retirement System

## INVESTMENT INCOME

**FOR THE THREE YEAR PERIOD BEGINNING JANUARY 1, 2002  
AND ENDING DECEMBER 31, 2004**

	FOR THE PERIOD ENDING DECEMBER 31,		
	2004	2003	2002
<b>Investment Income Received From:</b>			
Cash	15588.02	6014.38	\$30,369
Short Term Investments	0	0	0
Fixed Income	543,198	1,053,970	1,050,608
Equities	540,954	267,931	260,020
Pooled or Mutual Funds	0	0	0
Commission Recapture	0	0	0
<b>TOTAL INVESTMENT INCOME</b>	<b><u>1,099,740</u></b>	<b><u>1,327,915</u></b>	<b><u>1,340,997</u></b>
<b>Plus:</b>			
Increase in Amortization of Fixed Income Securities			
Realized Gains	380,827	693,547	851,317
Unrealized Gains	2,406,533	3,428,065	764,499
Interest Due and Accrued on Fixed Income Securities - Current Year	<u>97,150</u>	<u>97,976</u>	<u>175,073</u>
<b>Sub Total</b>	<b><u>2,884,511</u></b>	<b><u>4,219,588</u></b>	<b><u>1,790,888</u></b>
<b>Less:</b>			
Decrease in Amortization of Fixed Income Securities			
Paid Accrued Interest on Fixed Income Securities	(133,554)	(296,553)	(356,104)
Realized Loss	(1,136,968)	(487,223)	(2,655,711)
Unrealized Loss	(535,507)	(231,096)	(1,367,549)
Interest Due and Accrued on Fixed Income Securities - Prior Year	<u>(97,976)</u>	<u>(175,073)</u>	<u>(164,172)</u>
<b>Sub Total</b>	<b><u>(1,904,005)</u></b>	<b><u>(1,189,945)</u></b>	<b><u>(4,543,535)</u></b>
<b>NET INVESTMENT INCOME</b>	<b><u>2,080,247</u></b>	<b><u>4,357,558</u></b>	<b><u>(1,411,650)</u></b>
<b>Income Required:</b>			
Annuity Savings Fund	33,650	58,523	80,030
Annuity Reserve Fund	103,703	85,208	80,117
Military Service Fund	5	10	2
Expense Fund	<u>229,508</u>	<u>216,839</u>	<u>222,525</u>
<b>TOTAL INCOME REQUIRED</b>	<b><u>366,866</u></b>	<b><u>360,580</u></b>	<b><u>382,675</u></b>
Net Investment Income	<u>2,080,247</u>	<u>4,357,558</u>	<u>(1,411,650)</u>
Less: Total Income Required	<u>366,866</u>	<u>360,580</u>	<u>382,675</u>
<b>EXCESS INCOME TO THE PENSION RESERVE FUND</b>	<b><u>\$1,713,381</u></b>	<b><u>\$3,996,978</u></b>	<b><u>(\$1,794,325)</u></b>

## NORTH ADAMS Retirement System

### STATEMENT OF ALLOCATION OF INVESTMENTS OWNED

(percentages by category)

**FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2004**

	MARKET VALUE	PERCENTAGE OF TOTAL ASSETS
Cash	\$504,716	1.59%
Short Term	0	0.00%
Fixed Income	9,012,360	28.48%
Equities	22,126,764	69.92%
PRIT Cash Fund	0	0.00%
PRIT Core Fund	0	0.00%
<b>GRAND TOTALS</b>	<b><u>\$31,643,840</u></b>	<b><u>100.00%</u></b>

For the year ending December 31, **2004**, the rate of return for the investments of the **North Adams** Retirement System was 6.89%. For the five-year period ending December 31, **2004**, the rate of return for the investments of the **North Adams** Retirement System averaged 2.58%. For the seventeen-year period ending December 31, **2004**, since PERAC began evaluating the returns of the retirement systems, the rate of return of the investments of the **North Adams** Retirement System was 10.61%.

## **North Adams Retirement System**

### **SUPPLEMENTARY INVESTMENT REGULATIONS**

**FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2004**

The **North Adams** Retirement System submitted the following supplementary investment regulations, which were approved by PERAC on :

December 21, 1987

- 20.04(6) American Depository Receipts listed on a United States stock exchange or traded over the counter in the United States, provided that any such investments not exceed 5% of the total book value of equity investments.

October 30, 1991

- 16.02(4) The board may employ a custodian bank and may charge such expenses against earned income from investments provided that such expenses shall not exceed in any one year .08% of the value of the fund
- 20.03(1) Equity investments shall not exceed 60% of the total book value of the portfolio at the time of purchase.

November 13, 1997

- 20.03(1) Equity investments shall not exceed 65% of the total book value of the portfolio at the time of purchase.

## **North Adams Retirement System**

### **NOTES TO FINANCIAL STATEMENTS**

**FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2004**

#### **NOTE 1 - THE SYSTEM**

The plan is a contributory defined benefit plan covering all **North Adams** Retirement System member unit employees deemed eligible by the retirement board, with the exception of school department employees who serve in a teaching capacity. The Teachers' Retirement Board administers the pensions of such school employees.

Instituted in 1937, the System is a member of the Massachusetts Contributory Retirement System and is governed by Chapter 32 of the Massachusetts General Laws. Membership in the plan is mandatory immediately upon the commencement of employment for all permanent, full-time employees.

The system provides for retirement allowance benefits up to a maximum of 80% of a member's highest three year average annual rate of regular compensation. Benefit payments are based upon a member's age, length of creditable service, level of compensation, and group classification.

Members become vested after ten years of creditable service. A superannuation retirement allowance may be received upon the completion of twenty years of service or upon reaching the age of 55 with ten years of service. Normal retirement for most employees occurs at age 65 (for certain hazardous duty and public safety positions, normal retirement is at age 55).

A retirement allowance consists of two parts: an annuity and a pension. A member's accumulated total deductions and a portion of the interest they generate constitute the annuity. The differential between the total retirement benefit and the annuity is the pension. The average retirement benefit is approximately 75 - 85% pension and 15 - 25% annuity.

Active members contribute either 5, 7, 8, or 9% of their gross regular compensation. Members joining the retirement system after January 1, 1979 must contribute an additional 2% on regular compensation earned at a rate in excess of \$30,000. The percentage rate is keyed to the date upon which an employee's membership commences. These deductions are deposited in the Annuity Savings Fund and earn interest at a rate determined by the Executive Director of PERAC according to statute. When a member's retirement becomes effective, his/her deductions and related interest are transferred to the Annuity Reserve Fund. Any cost-of-living adjustment granted between 1981 and 1997 and any increase in other benefits imposed by state law during that period are borne by the state.

The pension portion of any retirement benefit is paid from the Pension Fund of the System. The governmental unit employing the member must annually appropriate and contribute the amount of current year pension payments as indicated on the most recent funding schedule as approved by PERAC's Actuary. Until recently, retirement systems were paying only the actual retirement

## **North Adams Retirement System**

### **NOTES TO FINANCIAL STATEMENTS (Continued)**

#### **FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2004**

benefits that were due each year. Systems had no statutory authorization to put aside any money for the future benefits of employees who are now working. Large unfunded liabilities resulted from operating upon this pay-as-you-go basis. In 1977, legislation authorized local governments to appropriate funds to meet future pension obligations.

In 1983, additional legislation was passed requiring the transfer of investment earnings (in excess of the amount credited to member accounts) into the Pension Reserve Fund. These initiatives have significantly reduced the rate of growth of the retirement systems' unfunded liabilities, and in some systems have actually eliminated such liability.

Administrative expenses are funded through investment income of the system.

Members who become permanently and totally disabled for further duty may be eligible to receive a disability retirement allowance. The amount of benefits to be received in such cases is dependent upon several factors including: whether or not the disability is work related, the member's age, years of creditable service, level of compensation, veteran's status, and group classification.

Employees who resign from service and who are not eligible to receive a retirement allowance or are under the age of 55 are entitled to request a refund of their accumulated total deductions. In addition, depending upon the number of years of creditable service, such employees are entitled to receive either zero (0%) percent, fifty (50%) percent, or one hundred (100%) percent of the regular interest which has accrued upon those deductions. Survivor benefits are extended to eligible beneficiaries of members whose death occurs prior to or following retirement.

#### **NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES**

The accounting records of the System are maintained on a calendar year basis in accordance with the standards and procedures established by the Executive Director of Public Employee Retirement Administration Commission.

The Annuity Savings Fund is the fund in which members' contributions are deposited. Active members contribute either 5, 7, 8, or 9% of their gross regular compensation. Voluntary contributions, redeposits, and transfers to and from other systems, are also accounted for in this fund. Members' contributions to the fund earn interest at a rate determined by PERAC. Interest for some members who withdraw with less than ten years of service is transferred to the Pension Reserve Fund. Upon retirement, members' contributions and interest are transferred to the Annuity Reserve Fund. Dormant account balances must be transferred to the Pension Reserve Fund after a period of ten years of inactivity.

## **North Adams Retirement System**

### **NOTES TO FINANCIAL STATEMENTS (Continued)**

#### **FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2004**

The Annuity Reserve Fund is the fund to which a member's account is transferred upon retirement from the Annuity Savings Fund and Special Military Service Credit Fund. The annuity portion of the retirement allowance is paid from this fund. Interest is credited monthly to this fund at the rate of 3% annually on the previous month's balance.

The Special Military Service Credit Fund contains contributions and interest for members while on a military leave for service in the Armed Forces who will receive creditable service for the period of that leave.

The Expense Fund contains amounts transferred from investment income for the purposes of administering the retirement system.

The Pension Fund contains the amounts appropriated by the governmental units as established by PERAC to pay the pension portion of each retirement allowance.

The Pension Reserve Fund contains amounts appropriated by the governmental units for the purposes of funding future retirement benefits. Any profit or loss realized on the sale or maturity of any investment or on the unrealized gain of a market valued investment as of the valuation date is credited to the Pension Reserve Fund. Additionally, any investment income in excess of the amount required to credit interest to the Annuity Savings Fund, Annuity Reserve Fund, and Special Military Service Credit Fund is credited to this Reserve account.

The Investment Income Account is credited with all income derived from interest and dividends of invested funds. At year-end the interest credited to the Annuity Savings Fund, Annuity Reserve Fund, Expense Fund, and Special Military Service Credit Fund is distributed from this account and the remaining balance is transferred to the Pension Reserve Fund.

#### **NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS**

The **North Adams** Retirement System submitted the following supplementary membership regulations, which were approved by PERAC on:

August 2, 1999

All Eligible members may purchase their military service pursuant to Chapter 71 of the Acts of 1997 up to their date of retirement.

January 6, 2003 (update of March 11, 1985 regulations)

1. Three (3) Board members' signatures are required on all warrants.



## **North Adams Retirement System**

### **NOTES TO FINANCIAL STATEMENTS (Continued)**

#### **FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2004**

##### **SUPPLEMENTARY MEMBERSHIP REGULATIONS - (Cont'd.)**

2. All investments must be reviewed by the full five members of the Board.
3. All make-up payments for prior service credit must be approved by the Board.
4. Creditable Service shall be based on the following formula according to average hours worked per week.  
Under twenty (20) hours no credit.  
20 - 25 average hours per week = 1/2 time employee  
26 – 34 or more average hours per week = ¾ time employee  
35 or more average hours per week = full time employee
5. No part-time, provisional, temporary, temporary provisional, seasonal or intermittent or any other part-time employees, in any government unit or board, shall become members of the retirement system, unless he or she is regularly employed for an average of at least twenty-five (25) hours per week, and such employees are eligible for membership after six months of such employment. Actual time worked must be documented to the satisfaction of the Board and creditable service is only allowed for actual time worked.

Membership is mandatory for employees meeting the above requirements after six (6) months of continuous employment.

This rule is not intended to conflict or modify Chapter 32, Section 4(2)(b) pertaining to creditable service allowed for reserve or permanent intermittent police officers or fire fighters.

6. Permanent full-time employees shall be granted one year of credit for each calendar year of service. Employees shall be considered as full-time if they work an average of at least thirty-five hours week. There shall be no waiting period for permanent full-time employees to join the pension system.
7. The minutes of all Board meetings must be read and approved by the Board.
8. Account information, financial and medical, or both current and former members are not public records.
9. It is understood by the Board that the Massachusetts General Laws Chapter 32 supersede any conflicting rules, regulations and by-laws established herein.

## **North Adams Retirement System**

### **NOTES TO FINANCIAL STATEMENTS (Continued)**

**FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2004**

#### **SUPPLEMENTARY MEMBERSHIP REGULATIONS - (Cont'd.)**

October 23, 2002

The North Adams Retirement Board's travel and travel related expense supplementary regulations have been approved by PERAC.

June 4, 2003

Board members and/or staff person(s) shall not receive any cash advances or preset per diem payments associated with anticipated travel-related expenses. If cost for conferences, seminars, workshops, etc. are known to the Board, advanced payments can be made.

## **North Adams Retirement System**

### **NOTES TO FINANCIAL STATEMENTS (Continued)**

**FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2004**

#### **NOTE 4 - ADMINISTRATION OF THE SYSTEM**

The System is administered by a five person Board of Retirement consisting of a first and second member appointed by the governing authority, a third and fourth member who shall be elected by the members in or retired from the service of such system, and a fifth member appointed by the other four board members.

Appointed Member: Kathleen A. Wall                      Term Expires: 12/17/2002

Appointed Member: Alan Marden                      Term Expires: 11/19/2002

Elected Member: James D. Brown                      Term Expires: 7/1/2007

Elected Member: Lawrence R. O'Brien                      Term Expires: 12/18/2007

Appointed Member: Fred T. Thompson                      Term Expires: 2/27/2006

The Board members are required to meet at least once a month. The Board must keep a record of all of its proceedings. The Board must annually submit to the appropriate authority an estimate of the expenses of administration and cost of operation of the system. The board must annually file a financial statement of condition for the system with the Executive Director of PERAC.

The investment of the system's funds is the responsibility of the Board. All retirement allowances must be approved by the Retirement Board and are then submitted to the PERAC Actuary for verification prior to payment. All expenses incurred by the System must be approved by at least two members of the Board.

The following retirement board members and employees are bonded by an authorized agent representing a company licensed to do business in Massachusetts as follows:

Treasurer - Custodian:	)	
Ex officio Member:	)	\$50,000,00 Fiduciary Insurance
Elected Member:	)	\$1,000,000 Fidelity Bond
Appointed Member:	)	\$1,000,000 Employee Dishonesty
Staff Employee:	)	

# North Adams Retirement System

## NOTES TO FINANCIAL STATEMENTS (Continued)

**FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2004**

### NOTE 5 - ACTUARIAL VALUATION AND ASSUMPTIONS

The most recent actuarial valuation of the System was prepared by the **Public Employee Retirement Administration Commission** as of **January 1, 2003**.

The actuarial liability for active members was	\$18,485,457
The actuarial liability for vested terminated members was	189,530
The actuarial liability for non-vested terminated members was	12,549
The actuarial liability for retired members was	25,512,124
The total actuarial liability was	<b>44,199,660</b>
System assets as of that date were	29,969,421
The unfunded actuarial liability was	<b>\$14,230,239</b>
The ratio of system's assets to total actuarial liability was	67.8%
As of that date the total covered employee payroll was	\$6,865,683

The normal cost for employees on that date was 7.53% of payroll

The normal cost for the employer was 6.98% of payroll

The principal actuarial assumptions used in the valuation are as follows:

**Investment Return:** 8.00% per annum

**Rate of Salary Increase:** Varies based on service and job group

### **GASB STATEMENT NO. 25, DISCLOSURE INFORMATION AS OF JANUARY 1, 2003**

Actuarial Valuation Date	Actuarial Value of Assets ( a )	Actuarial Accrued Liability ( b )	Unfunded AAL (UAAL) ( b-a )	Funded Ratio ( a/b )	Covered Payroll ( c )	UAAL as a % of Cov. Payroll ( (b-a)/c )
1/1/2003	\$ 29,969,421	\$ 44,199,660	\$ 14,230,239	67.8%	\$ 6,865,683	207.3%
1/1/2001	\$ 32,653,748	\$ 40,666,770	\$ 8,013,022	80.3%	\$ 6,690,003	119.8%
1/1/1999	\$ 26,327,817	\$ 36,881,535	\$ 10,553,718	71.4%	\$ 6,505,725	162.2%
1/1/1996	\$ 16,492,557	\$ 25,131,410	\$ 8,638,853	65.6%	\$ 4,887,157	176.8%
1/1/1993	\$ 13,726,251	\$ 23,018,977	\$ 9,292,726	59.6%	\$ 5,278,554	176.0%

## North Adams Retirement System

### NOTES TO FINANCIAL STATEMENTS (Continued)

**FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2004**

#### NOTE 6 - MEMBERSHIP EXHIBIT

<b>Retirement in Past Years</b>	<b>1995</b>	<b>1996</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>
Superannuation	1	7	9	8	5	2	0	16	16	1
Ordinary Disability	0	0	0	0	0	0	0	0	0	0
Accidental Disability	2	3	1	3	1	0	0	2	1	2
<b>Total Retirements</b>	<b>3</b>	<b>10</b>	<b>10</b>	<b>11</b>	<b>6</b>	<b>2</b>	<b>0</b>	<b>18</b>	<b>17</b>	<b>3</b>
Total Retirees, Beneficiaries and Survivors	208	202	204	210	204	197	200	202	210	211
<b>Total Active Members</b>	<b>294</b>	<b>300</b>	<b>297</b>	<b>295</b>	<b>295</b>	<b>295</b>	<b>296</b>	<b>267</b>	<b>345</b>	<b>357</b>
<b>Pension Payments</b>										
Superannuation	\$1,208,370	\$1,251,865	\$1,229,216	\$1,304,290	\$1,319,324	\$1,277,163	\$1,300,499	\$1,364,015	\$1,452,598	\$1,762,604
Survivor/Beneficiary Payments	77,066	75,928	72,157	69,312	76,524	83,891	114,523	104,201	231,134	111,566
Ordinary Disability	64,595	64,900	66,426	67,164	68,367	71,770	73,410	61,940	53,440	55,086
Accidental Disability	412,309	467,924	486,739	522,643	574,830	593,362	659,809	723,447	743,579	786,830
Other	<u>123,640</u>	<u>150,161</u>	<u>198,814</u>	<u>173,163</u>	<u>173,311</u>	<u>184,287</u>	<u>188,383</u>	<u>192,446</u>	<u>60,579</u>	<u>269,204</u>
<b>Total Payments for Year</b>	<b><u>1,885,980</u></b>	<b><u>2,010,778</u></b>	<b><u>2,053,352</u></b>	<b><u>2,136,572</u></b>	<b><u>2,212,356</u></b>	<b><u>2,210,473</u></b>	<b><u>2,336,624</u></b>	<b><u>2,446,049</u></b>	<b><u>2,541,330</u></b>	<b><u>2,985,290</u></b>

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